

1. OBJECT OF UNAOTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE POLICY

The object of this policy is to:

- | provide for measures to identify any irregular expenditure or any fruitless and wasteful expenditure;
- | provide for frameworks to avoid of any irregular expenditure or any fruitless and wasteful expenditure;
- | provide for recovery of irregular expenditure or any fruitless and wasteful expenditure;
- | to provide for reporting on any irregular expenditure or any fruitless and wasteful expenditure.

2. LEGISLATIVE CONTEXT

3. DEFINITIONS

Fruitless and wasteful expenditure: means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

Irregular expenditure: means expenditure incurred by the municipality in contravention of Municipal Finance Management Act, Municipal Systems Act, Public Office-Bearers Act, 1998 and which has not been dealt with in terms of section 170 of this Act.

Unauthorised expenditure: means any expenditure incurred by a municipality otherwise than in accordance the approved budget and includes overspending of the total amount appropriated in the municipality's approved budget; and (b) overspending of the total amount appropriated for a vote in the approved budget.

4. IDENTIFICATION OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

Internal Identification

The Supply chain management unit will be responsible for the creation of an register that will identify all expenditure as listed below, in accordance with the MFMA.

Internal Audit will investigate on an annual basis and will provide the municipal finance committee with the relevant recommendation for consideration on actions to be taken.

4.1 Unauthorised Expenditure

Any expenditure incurred by a municipality, for which no appropriation was made in terms of the approved budget, and / or in excess of the limits of the amount appropriated for in the municipality's approved budget or different votes in an approved budget.

The mayor may in emergency or other exceptional circumstances authorize unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

Such expenditure shall not exceed (15%) percentage of the approved annual budget; and must be reported by the mayor to the municipal council at its next meeting; and must be appropriated in an adjustments budget.

4.2 Irregular or Fruitless and Wasteful Expenditure

Fruitless and Wasteful Expenditure is any expenditure that is incurred for which no benefit is received by the municipality and would have been avoided had reasonable care been exercised.

5. TREATMENT OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

1. Where unauthorised, irregular or fruitless and wasteful expenditure is identified and discovered must be recorded in the appropriate register and the Accounting Officer must immediately report in writing to the Mayor, MEC for Cooperative Governance and Traditional Affairs, the Provincial Treasury and the Auditor-General as follows:
 - a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
 - b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
 - c) the steps that have been taken to recover or rectify such expenditure; and prevent a recurrence of such expenditure.
2. The Accounting Officer must take appropriate steps in terms of section 32(2) of Municipal Finance Management Act to recover the amount.
3. If the amount is irrecoverable, the Council may write-off debt in terms of Treasury regulations,
4. The amounts written off in terms of treasury regulations must be disclosed in the Annual Financial Statements of the municipality.
5. The register must be updated accordingly according to the various outcomes of the above processes.

6. CONSEQUENCES FOR IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

If the accounting officer becomes aware that the council, the mayor or the executive committee has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing

unauthorised, irregular or fruitless and wasteful expenditure provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.

The accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by the accounting officer.

If a political office-bearer of the municipality knowingly or after having been advised by the accounting officer of the municipality that the expenditure is likely to result in unauthorised expenditure, instructed an official of the municipality to incur the expenditure; such political office-bearer is liable for the expenditure.

Any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular or fruitless and wasteful expenditure, is liable for that expenditure; or

7. ACCOUNTING ALLOCATION OF UNATHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

If the unauthorised, irregular and fruitless and wasteful expenditure is found to be recoverable from the responsible official in full or in part, a debt must be recorded on the accounting systems by way of journal entry.

The procedure for recording such journal entry shall be in accordance with the municipality's approved accounting journal entries policy.

In cases where the debt or part thereof become irrecoverable after the initial recognitions, such irrecoverable amount shall be written off by the Accounting Officer and an adjustment journal be passed against the debt in the accounting system.

8. IMPLICATIONS FOR THE ACCOUNTING OFFICER

The Accounting Officer commits an act of financial misconduct if he / she deliberately or negligently makes or permits, or instructs another official of the municipality to make, an unauthorised, irregular or fruitless and wasteful expenditure.

9. REPORTING

The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of-

- (a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
- (b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- (c) the steps that have been taken-
 - (i) to recover or rectify such expenditure; and
 - (ii) to prevent a recurrence of such expenditure.